

Introduction to Marketing

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Objectives of this presentation

- ¶ To learn from real experience :
 - Discussion of last week's guest speakers
 - Observations from Friday's team presentations
- ¶ To introduce the Marketing section of the Business Plan
- ¶ To provide you with a framework
- ¶ To answer your questions



Agenda

- ¶ Status Quo
- ¶ Recap last week's impressions
- ¶ Marketing section (part 1)
- ¶ Short break
- ¶ Marketing section (part 2)
- ¶ Q & A
- ¶ Wrap-up and next steps



Lessons learnt from Friday's team presentations

What went well:

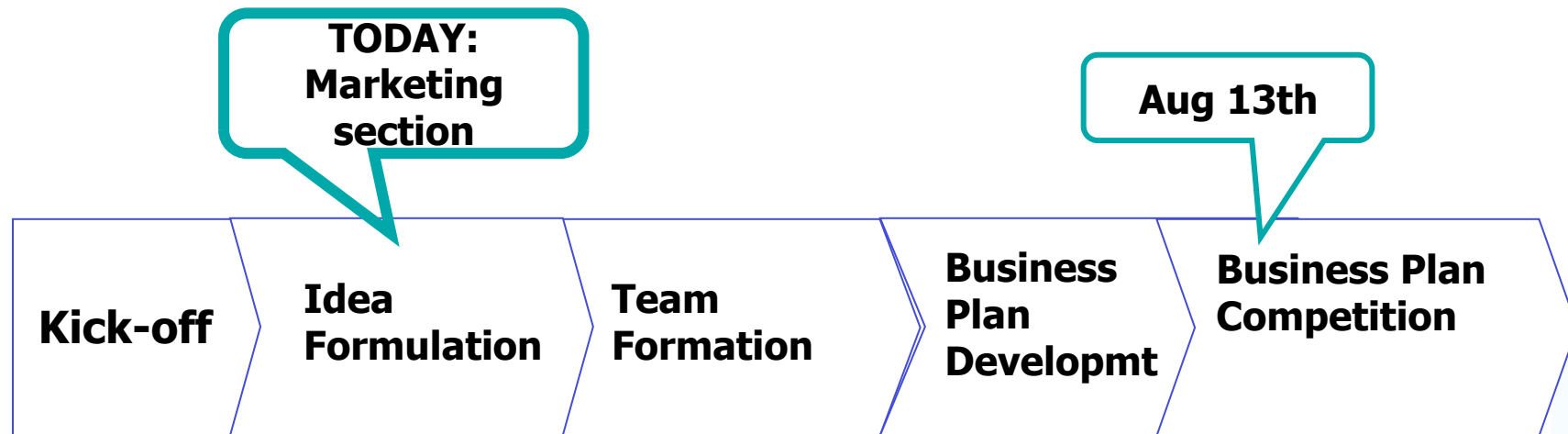
- Presentation of second team was clear and alive
- First team had a clear orchestrator, good interactions
- Good slides
- A vision

What can be improved:

- Feasibility study and research missing?
- No back-up slides
- Not specific, should be linked
- No implementation\roll_out



Overview: Where are we now



What's next

- Ideas pitch: Wednesday, 14th July (p.m.)
- Team formation: by Monday, 19th July (18:00)
- Assignment of coach: on Tuesday, 20th July
- First team tutorials: Friday, 23rd July
- **Topics to be discussed:**
 - A Understanding the Target Customer:**
 - Who is our customer?
 - What is their need? (Customer perspective, Empathy Map)
 - (= why do they want our offering?)
 - B Understanding the Competitive Environment**
 - What is already out there?
 - How can we differentiate?



Business planning process

MARKETING

Points to take away...



- SWOT
- Assumptions (convenient!)
- STP
- USP
- Customer perspective and some primary (qualitative) research
- Marketing is more than advertising



General remarks

¶ A good marketing plan will convince **potential investors of**

- **The existence of a good market:** by showing specific benefits to users, evidence of market interest and well-grounded assumptions
- How this **opportunity** will translate into a success story for your investors (this leads to the financial projections)



The outline

1) Situation analysis

- a) Market analysis
- b) SWOT
- c) Competition
- d) Product offering
- e) Critical success factors
- f) Mission and objectives

2) Segmentation, targeting and positioning

- a) Segmentation
- b) Targeting
- c) Positioning
- d) Differentiation

3) Marketing mix

- a) Product
- b) Price
- c) Distribution
- d) Integrated marketing communication plan

4) Market research (in Appendix)



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1 a) Analyse your Market

1. Define and describe your market, mentioning:

- Category – e.g. market for remote atmospheric observations (by LIDAR)*
- Geography – total market, geographical boundaries (first stage)
- Demographics – gender, age, income, education
- Consumer behavior – lifestyle, interests, needs
- Market needs – market's unfulfilled needs
- Market trends – diversification, innovation, democratization...
- Market drivers (cf. Porter's Five Forces)
- Market growth – rate of growth

2. Size your market

- Estimate market size and (your) market potential
- Describe trends and external factors (incl. PESTEL-analysis)
- Describe possible segmentation criteria
- For estimates: State your assumptions

* Source: Leosphere-website



Recap: Market drivers

The Five Forces That Shape Industry Competition



from "The Five Competitive Forces That Shape Strategy" by
Michael E. Porter, *Harvard Business Review*, January 2008

What is a PESTEL-analysis?

Political

Economical

Social

Technological

Environmental

Legal



Side remark:

What do we mean by “Assumptions”

- “Assumptions” are explanations for your rationale, underlying your business idea
 - Business assumptions: Obtaining a license without which you cannot enter the market; finding a partner to distribute/ build your brand/ enter the German market etc
 - Financial assumptions (market growth rate, take-up rates, cost, etc)
- This is meant to make writing the business plan easier for you: Do not waste time on finding exact data – sometimes not available
- Capture your assumptions and state in the relevant business plan chapter



1 b) SWOT-analysis

<u>STRENGTHS</u> <ol style="list-style-type: none">1. Your team (people),2. experience,3. expertise...	<u>WEAKNESSES</u> <ol style="list-style-type: none">1. Missing competencies,2. brand awareness (new brand)...
<u>OPPORTUNITIES</u> <ol style="list-style-type: none">1. Positive external trends (e.g., lifestyle, regulations)2. Entry strategy...	<u>THREATS</u> <ol style="list-style-type: none">1. Low barriers of entry,2. Plans by your competition (the GORILLA),3. Negative external trends (e.g., changing technology)...



1 c) Competitor analysis

- Define the **category** of your offering
 - What is your competitive framework?
- Who are the competitors?
 - Traditional versus “new”
- Who/ what are the substitutes?
- Any possible new entrants?



1 d) Product/ service offering

- Outline product specifications and service definition
 - Explain offering and its components
- Outline possible future extensions
 - Launch phase versus next steps
- Envisage product life cycle
 - Product/ service innovation



1 e) Critical Success Factors (CSFs)

What do you need to make this work?

- Define specific targets to be met in order to achieve success
 - E.g., talent, permits, patent, exclusivity
 - Example: Find a greenhouse that has proof of concept + find a supplier
- Steps to be taken to overcome any possible challenges
 - Challenges can be legislation, staffing etc
 - Example: Partner with existing patent-holder or contract a technical designer for new solution



1 f) Mission and objectives (1)

- Having analyzed the market and its opportunities for your product/service, make a statement about what you seek to achieve
- This may be done over the short, medium and long term
 - E.g., 1-year, 3-years, 10-years
- Remember “cross-border” aspect of your venture!



1 f) Mission and objectives (2)

Example: energiepilot.de

–Mission:

“To offer end users individual and independent energy system advice.”

–Slogan:

“Analyze. Optimize. Energize.”

Source: www.energiepilot.de



1 f) Mission and objectives (3)

Example: JavaNet Internet Café

– Objectives:

“JavaNet's objectives for the first three years of operation include:

- The creation of a unique, upscale, innovative environment that will differentiate JavaNet from local coffee houses.
- Educating the community on what the Internet has to offer.
- The formation of an environment that will bring people with diverse interests and backgrounds together in a common forum.
- Good coffee and bakery items at a reasonable price.
- Affordable access to the resources of the Internet and other online services.”

Source: www.bplans.com



Upfront analysis is OK, but what are “STP” and the 4 p’s?

10 MINUTE BREAK



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Overview:

The 6 steps in market segmentation, targeting and positioning (STP)



2 a) Segmentation (1)

- **Geographic segmentation**
 - Dividing a market into different geographical units such as countries, states, regions, towns.
- **Demographic segmentation**
 - Age and life-cycle segmentation.
 - Ethnic segmentation.
 - Gender segmentation.
 - Income segmentation.
- **Geo-demographics**
 - Study of relationship between geographical location and demographics.



2 a) Segmentation (cont'd)

- **Psychographic segmentation**
 - Social class
 - Lifestyle
 - Personality traits
- **Behavioural segmentation**
 - Markets segmented based upon consumer knowledge, attitude, use or response to a product.
 - E.g., Needs-based segmentation, Loyalty status, Attitude towards product



2 a) 4 requirements for effective segmentation

Measurability

- Degree to which size, purchasing power and profits of a market segment can be measured.

Accessibility

- Degree to which a market segment can be reached and served.

Substantiality

- Degree to which a market segment is sufficiently large or profitable.

Actionability

- Degree to which effective programmes can be designed for attracting and serving the given market segment.

2 b) Targeting

- Evaluate possible target segments in terms of how they match your product/service and your mission and objectives
- Identify the segments which you will seek to serve
- What do the customers look like and how do they behave?
- What needs of theirs does your product/service fulfill?
- How will they make the decision to purchase your product/service?
- Where will they seek to buy?
- How often?



2 c) Positioning

- Positioning is the matching of company strengths and market opportunities
- Positioning has 2 components:
 - Identification of a group of customers (**target**) to whom the company can clearly show it has a differential advantage.
 - The firm needs to position its offerings in the customer's mind against its competitors (differentiate by designing a **Unique Selling Proposition = “USP”**).



2 c) Writing a positioning statement in the marketing plan (example)

“To [target group and need], our [brand] is [category membership] that [differentiating factors].”

-> To technology enthusiasts, iPad “Is the best way to experience the web, email, photos, and video. All in a design that’s thin and light enough to take anywhere.”

(from Apple-website, July 2010)

2 c) Positioning strategies

- Product attributes
- Technical items
- Benefits offered
- Usage occasions
- Users
- Activities
- Personalities
- Cult positioning
- Origin
- Positioned with synergistic products and brands
- Positioned against competitors
- Positioned away from competitors
- Product class membership

... these are just options, for you to pick and choose from!



2 c) Essential criteria to accomplish a good positioning strategy

- Features and benefits must be **important** to the consumer.
- Must be **distinctive** from the competition.
- Must deliver **superior** quality or service.
- Difference must be **communicable** and visible to buyers.
- **Thinking ahead** and competitors unable to replicate.
- **Affordable**
- **Profitable** (even for non-commercial positioning -> Value!)



2 d) Product differentiation criteria

- Features and benefits
- Quality
- Performance
- Innovation
- Consistency
- Reliability
- Style and design
- Durability
- Repairability

Again, these are just options!



2 d) Service differentiation criteria

- Delivery
- Installation
- Repair services
- Customer training services
- Consulting services
- Speed of service
- *Example:*
FirstDirect customer service
“Speak to a person, not a machine”



2 d) Other ways of differentiating

- Personnel differentiation:
 - Hiring
 - Training
 - Customer focused
- Image differentiation:
 - Images that reflect the 'soul' or ethos of the company
 - Corporate image, mission, vision, values
 - Identity vs. image
- Channel differentiation:
 - Channels of distribution can provide differentiation
 - The internet has created many such opportunities
 - Coverage, expertise and performance



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3) Marketing mix (“4 P’s”)

- a) Product
- b) Price
- c) Distribution (Placement)
- d) Integrated marketing communication plan (Promotion)

4) Market research (in Appendix)



3 a) Product: Individual product decisions

Focus on **benefits to customers** through

- Product attributes (quality, features, style and design)
- Branding
- Packaging
- Labelling
- Product support services (e.g., financing services, after-sales maintenance, installation)



3 a) Product: Building brand equity

Focus on developing **three drivers of brand value**

1. Brand elements
 - E.g. logo, use of icons (signage), packaging
 - Example: Apple
2. Marketing mix
 - E.g. product itself, integrated marketing channels (IMC)
3. Other brand associations
 - E.g. spokesperson, testimonials, partnerships with other brands
 - Example: Richard Branson (Virgin)



3 b) Pricing

- Selecting pricing objective
- Determining demand
- Estimating costs
- Analyzing competitors' costs, prices and offers
- Selecting a pricing method
- Selecting the final price
- Caveat: Considering national policies and policy trends!

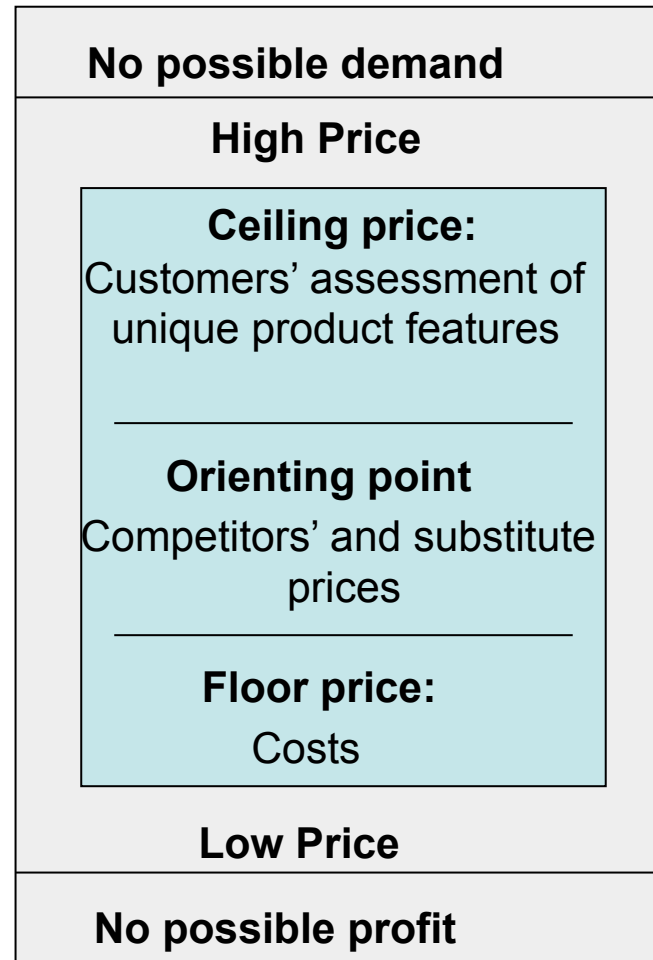


3 b) The 3 “C’s” of price setting

1. **Customers**

2. **Competitors**

3. **Costs**

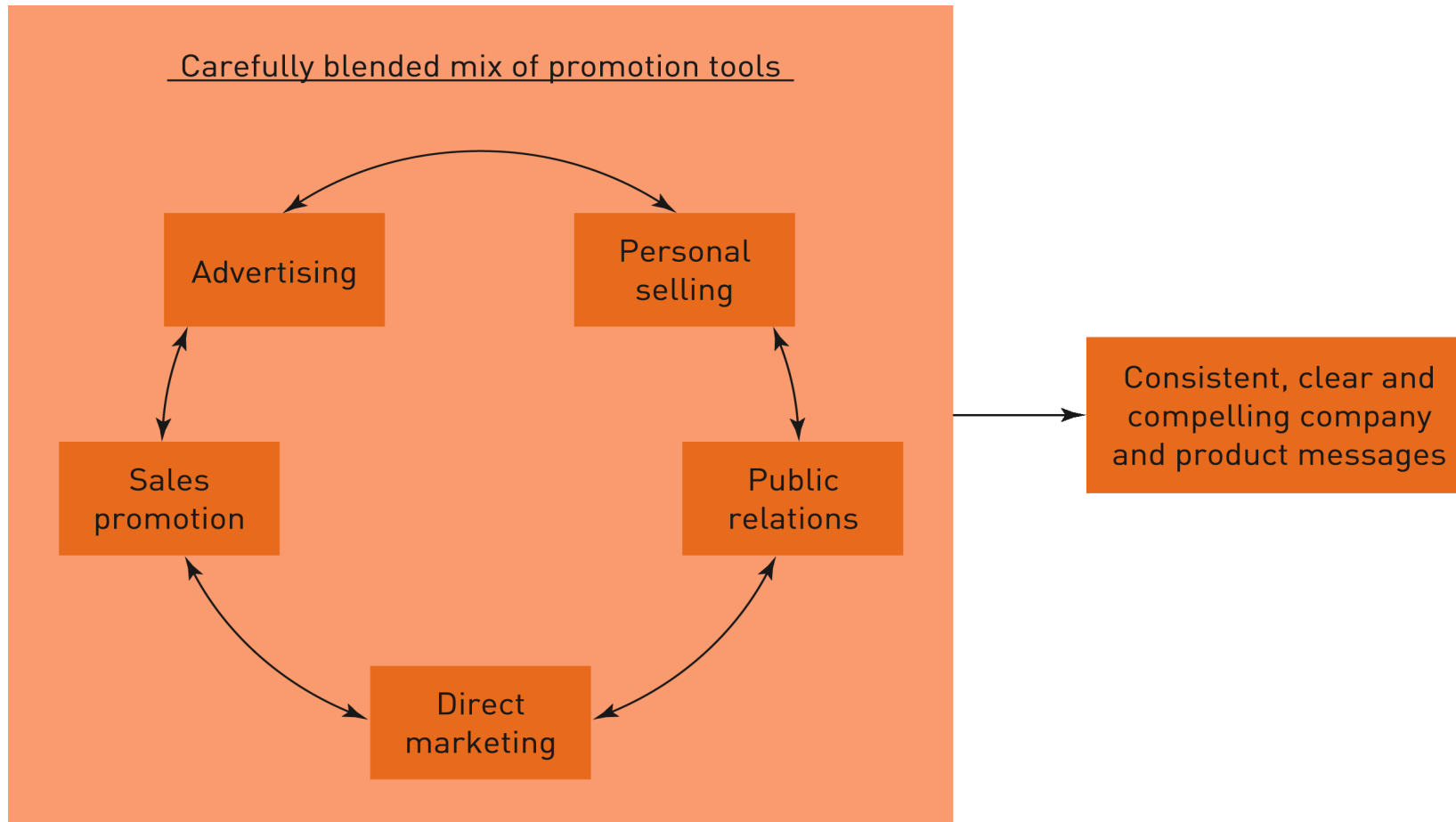


3 c) Distribution

- Build distribution channels through “demand chain planning” in order to provide solutions to consumers **where/how they need them**
- Demand chain planning must take into account how consumers will make their purchase decision
- Think of your distribution channels as **providers of value** and identify how you will manage them in order to enhance value creation



3 d) Integrated marketing communications



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Market research

- Secondary information sources:
 - Published
 - Internet
 - Trade associations
- Primary information sources:
 - Competitors
 - Employees
 - Suppliers
 - Customers

Methodologies

- Surveys
- Observation
- Interviews
- Online communities
- Focus groups



Demand forecasting

- Must take into account:
 - Time range (short, medium, long)
 - At least two levels of probability (conservative vs. best-case)
 - Estimation of qualified market size (people who can actually buy your offering)
 - Estimation of market share
 - Estimation of growth (again with conservation and best-case scenarios)
- All **assumptions** must be clearly stated and backed up



What are the main points?

SUMMARY

Points to take away...

- SWOT
- Assumptions (convenient!)
- STP
- USP
- Customer perspective and some primary (qualitative) research
- Marketing is more than advertising



What are the next steps?

NEXT STEPS

What's next?

- ¶ Session on “Diversion thinking” and Idea pitches tomorrow
- ¶ Group forming by next Monday
- ¶ London: Lectures on
 - Introduction to Strategy (Tues, 20 July)
 - Product/ Service development (Tues, 20 July)
 - Market Research (Weds, 21 July)
 - Strategy: Innovation & technology (Thurs, 22 July)
- ¶ Project work (coached) Fri, 23 July (please make appointment with your coach, to be announced)
- ¶ Discuss your idea and potential target market(s) and identify competitors



References

- **Useful online reference:**

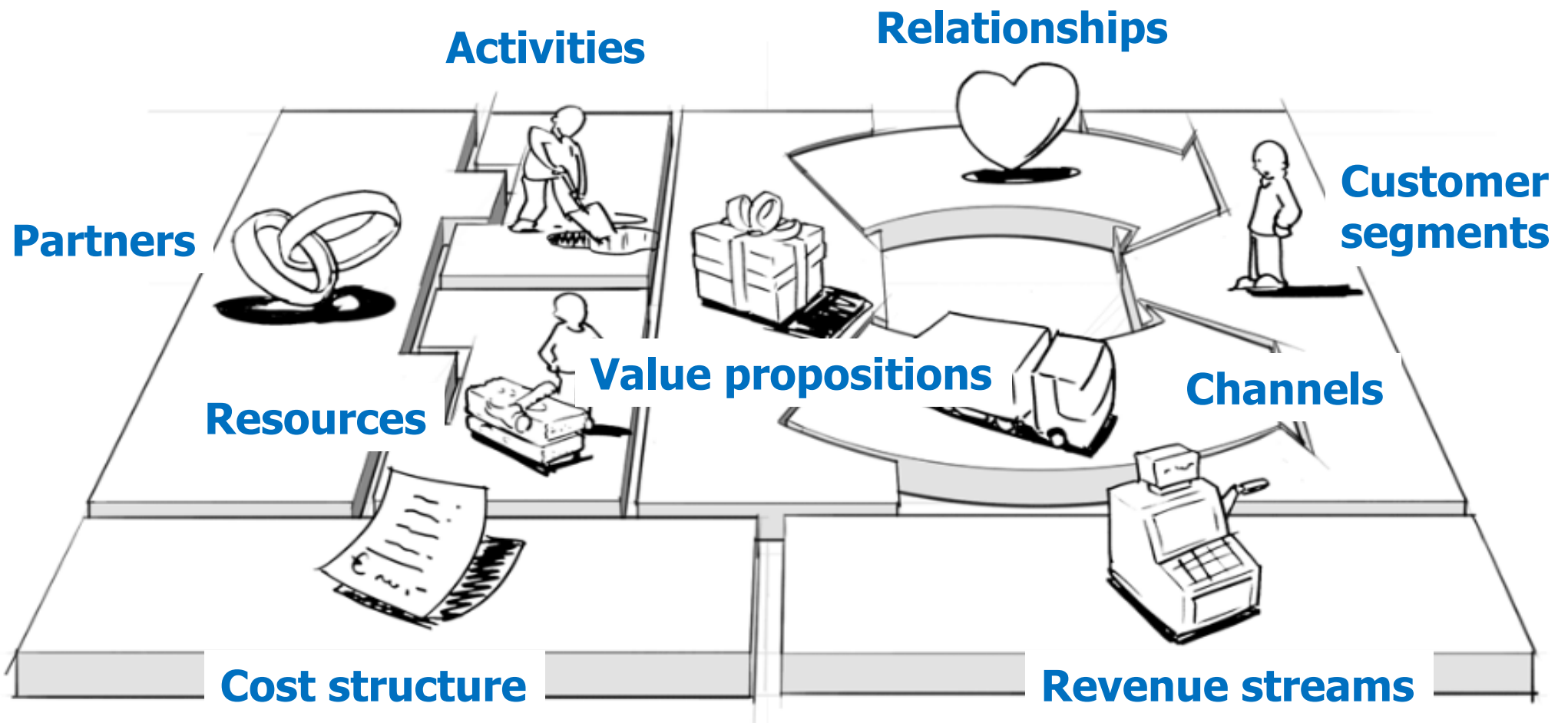
http://www.mplans.com/Sample_Marketing_Plans/Travel_Agency_Marketing_Plan/Situation_Analysis.cfm

- **Philip Kotler/ Kevin Lane Keller: Marketing Management, 13th Edition (2009).**



BACK-UP

How does it work together?



But how do we get there?

What will you do?



Source: Collis & Rukstad (2008)

How do you get there?

- W2: Individual idea pitch; selection and grouping
- W3: Product/service brochure (“prototyping”)
- W4: Business model and interim presentations
- W5: Draft plan and peer review
- W6: Final plan and final presentation

